FAMILY MEMORIALS INC.
Unaudited Condensed Interim Consolidated Financial Statements
For the six month period ended
June 30, 2016

Contents

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N.I. 51-102 Notice

The condensed interim consolidated financial statements for the six month interim period ended June 30, 2016 have been prepared by management and approved by the Board of Directors of the Corporation. These have not been audited or reviewed by the Corporation's external auditors and are included as comparative prior year numbers for the quarter.

August 29, 2016

FAMILY MEMORIALS INC.

Unaudited Condensed Interim Consolidated Statements of Financial Position
June 30, 2016

As at		June 30, 2016 (unaudited)		December 31, 2015 (audited)
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**184,497**	$	129,912
Cash not available for use		**23,987**		24,134
Trade and other receivables		**627,303**		468,853
Inventory		**2,709,628**		2,372,902
Income taxes receivable		**15,452**		15,643
Prepaid expenses		**532,416**		358,432
		4,093,283		3,369,876
NON CURRENT				
Trust fund assets		**420,832**		420,832
Property, plant and equipment		**1,303,827**		1,356,530
Intangibles		**1,981,884**		2,078,650
Goodwill		**1,463,157**		1,463,157
	$	**9,262,983**	$	8,689,045
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
CURRENT				
Trade and other payables	**$**	**5,181,747**	$	4,042,596
Customer deposits		**3,217,798**		2,330,602
Deferred revenue		**118,315**		118,315
Current portion of obligations under finance lease		**23,043**		23,043
Current portion of debentures		**5,242,000**		5,770,151
		13,782,903		12,284,707
NON CURRENT				
Obligations under finance lease		**14,597**		26,864
Liability for pre-need and perpetual care		**416,090**		414,027
		14,213,590		12,725,598
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 4)		**4,928,159**		4,758,159
Equity component – convertible debenture		**317,523**		317,523
Contributed surplus		**938,556**		938,556
Deficit		**(11,134,845)**		(10,050,791)
		(4,950,607)		(4,036,553)
	$	**9,262,983**	$	8,689,045

Going concern (Note 2)

The accompanying notes form an integral part of these consolidated financial statements.

Approved on behalf of the Board

(Signed) "Scott Kellaway" Director (Signed) "Robert Kellaway" Director

FAMILY MEMORIALS INC.

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency
June 30, 2016

	Share capital					
	Number of shares	**Amount $**	**Debenture $**	**Contributed surplus $**	**Deficit $**	**Total equity $**
Balance at December 31, 2014	39,723,603	4,643,159	317,523	938,556	(8,175,472)	(2,276,234)
Debenture conversion	605,262	115,000	-	-	-	115,000
Comprehensive loss	-	-	-	-	(1,875,319)	(1,875,319)
Balance at December 31, 2015	40,328,865	4,758,159	317,523	938,556	(10,050,791)	(4,036,553)
Comprehensive loss – 2016	-	-	-	-	(1,084,054)	(1,084,054)
Sale of shares	3,400,000	170,000	-	-	-	170,000
Balance, June 30, 2016	43,728,865	4,928,159	317,523	938,556	(11,134,845)	(4,950,607)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

FAMILY MEMORIALS INC.

Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
June 30, 2016

		Three months ended June 30			Six months ended June 30	
		2016	2015		**2016**	2015
Sales	**$**	**4,110,406**	4,184,258	$	**4,249,534**	4,329,171
Cost of sales		**2,222,104**	2,159,787		**2,311,058**	2,246,845
Gross profit	$	**1,888,302**	2,024,471	$	**1,938,476**	2,082,326
Expenses						
Administration		**214,383**	194,490		**343,054**	357,670
Advertising and promotion		**38,870**	64,205		**88,260**	112,577
Amortization of intangible assets		**52,717**	45,575		**101,766**	90,885
Depreciation of property, plant and equipment		**34,718**	54,633		**72,925**	109,168
Employee costs		**631,444**	678,833		**1,195,114**	1,329,164
Financing costs		**205,434**	373,805		**441,621**	759,319
Occupancy costs		**212,106**	256,435		**434,364**	512,928
Professional fees		**106,423**	55,747		**125,480**	74,570
Unallocated production costs		**-**	-		**220,000**	190,000
	$	**1,496,095**	1,723,723	$	**3,022,584**	3,536,281
Net income (loss) from operations		**392,207**	300,748		**(1,084,108)**	(1,453,955)
Interest income		**1**	45		**54**	133
Gain on sale of fixed asset		**-**	19,000		**-**	19,000
Gain (Loss) for the year before income taxes		**392,208**	319,793		**(1,084,054)**	(1,434,822)
Income taxes		**-**	-		**-**	-
Total comprehensive income (loss)	**$**	**392,208**	319,793	$	**(1,084,054)**	(1,434,822)
Loss per share						
Earnings (loss) loss per share	**$**	**0.0091**	0.0080	$	**(0.026)**	(0.036)
Weighted average number of shares outstanding		**43,156,964**	39,723,603		**41,512,290**	39,776,176

Diluted per share figures are not presented as the effect on loss per share would be anti-dilutive

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

FAMILY MEMORIALS INC.

Unaudited Condensed Interim Consolidated Statements of Cash Flows
June 30, 2016

		Three months ended June 30			Six months ended June 30	
		2016	**2015**		**2016**	2015
Cash flows used in operating activities						
Net income (loss) for the period	$	**392,208**	319,793	$	**(1,084,054)**	(1,434,822)
Items not requiring an outlay of cash						
Accretion on debentures		**84,521**	99,670		**178,349**	201,028
Depreciation of property, plant and equipment		**34,718**	45,575		**72,925**	90,885
Amortization of intangible assets		**52,717**	54,633		**101,766**	109,168
Net interest expense		**106,100**	274,135		**245,521**	558,261
		670,264	793,806		**(485,493)**	(475,450)
Changes in non-cash working capital						
Decrease (increase) in receivables		**(389,054)**	(366,247)		**(158,259)**	(105,692)
Decrease (increase) in inventory		**(214,060)**	(288,959)		**(336,726)**	(364,960)
Decrease (increase) in prepaid expenses		**(91,431)**	(50,458)		**(173,984)**	(378,649)
Increase (decrease) in trade and other payables		**590,799**	830,689		**1,186,362**	1,017,453
Increase (decrease) in customer deposits		**(430,202)**	(241,070)		**887,196**	1,299,869
Deferred revenue		**-**	4,170		**-**	4,710
		(533,948)	(111,875)		**1,404,589**	1,472,191
Cash provided by operating activities	$	**136,316**	681,931	$	**919,096**	996,741
Cash flow from financing activities						
Repayment of debenture debt		**-**	(454,089)		**(706,500)**	(454,089)
Repayment of capital lease obligations		**(5,387)**	(9,863)		**(12,267)**	(22,975)
Sale of common shares		**170,000**	-		**170,000**	-
Cash not available for use		**147**	(10,000)		**147**	(10,002)
Interest paid on debentures		**(262,100)**	(340,444)		**(290,670)**	(416,911)
Cash provided by (used in) financing activities		**(97,340)**	(814,396)		**(839,290)**	(903,977)
Cash flow from investing activities						
Purchase of equipment		**(9,517)**	(49,857)		**(20,220)**	(49,857)
Purchase of intangible assets		**(2,555)**	(19,090)		**(5,000)**	(40,044)
Cash provided by (used in) financing activities		**(12,072)**	(68,947)		**(25,220)**	(89,901)
Increase (decrease) in cash		**26,904**	(201,412)		**54,585**	2,863
Cash and cash equivalents, beginning of period		**157,593**	365,991		**129,912**	161,716
Cash and cash equivalents, end of period	$	**184,497**	164,579	$	**184,497**	164,579

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

1. NATURE OF BUSINESS

Family Memorials Inc. (the "Corporation") is a Canadian public company (TSXV: FAM) operating as one operating segment as a consolidator of monument and memorial retailers in the death care industry. The Corporation continues to pursue a growth strategy through acquisitions, market consolidation and the development of new sales software. The head office, which is also the registered office of the Corporation, is located at 601 Squier St., Thunder Bay, Ontario, Canada P7B 4A7.

2. BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". They do not contain all the necessary annual disclosures in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015.

These unaudited interim condensed consolidated financial statements, in all material respects, follow the same accounting policies and method of application as the annual consolidated financial statements of the preceding fiscal year, except as noted in Note 3.

The unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2016 were authorized for issue by the Board of Directors on August 29, 2016.

Going Concern

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes that the Corporation will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. In making its assessment, management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern as described in the following paragraph. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business. These adjustments may be material to the consolidated financial statements.

The ability of the Corporation to continue operations is dependent upon its ability to successfully integrate and realize on operational efficiencies with Remco Memorials Ltd., raise new financing, increase awareness with its sales software and increasing its retail network which is targeted to achieve a critical mass that will sustain positive cash flow. The outcome of these matters cannot be predicted at this time. Since inception, the Corporation has incurred a cumulative deficit of $11,134,845 (2015 - $10,050,791) and has a working capital deficit of $9,689,620 (2015 - $8,914,831). Management believes that the Corporation will be able to continue to raise additional funds when needed, has successfully integrated and realized on operational efficiencies with Remco Memorials and will implement new growth strategies and therefore has prepared these consolidated financial statements on a going concern basis. Realization values may be substantially different from the carrying values as resented in the financial statements should the Corporation be unable to continue as a going concern. It is management's opinion that all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Corporation's annual financial statements for the year ended December 31, 2015.

4. SHARE CAPITAL AND STOCK OPTIONS

Authorized:
Unlimited number of common voting shares

Shares issued	**2016**			2015		
	Number of shares		**Amount**	Number of shares		Amount
Balance beginning of year	**40,328,865**	**$**	**4,758,159**	39,723,603	$	4,643,159
Shares issued for conversion of 10% debenture	**-**		**-**	605,262		115,000
Sale of shares	**3,400,000**	**$**	**170,000**	-		-
Balance, June 30, 2016	**43,728,865**	**$**	**4,928,159**	40,328,865	$	4,758,159

On April 28, 2016, 3,400,000 common shares of the Corporation were issued for gross proceeds of $170,000. The proceeds of the private placement will be used by the Corporation for general working capital.

(a) Agent Options

	2016			2015		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Beginning balance	**1,993,140**	**$**	**0.120**	1,993,140	$	0.120
Granted	**-**		**-**	-		-
Expired	**1,993,140**		**-**	-		-
Balance, June 30, 2016	**-**	**$**	**-**	1,993,140	$	0.120

5. RELATED PARTY TRANSACTIONS

In 2011 a corporation controlled by a director of the Corporation participated directly in the $5,357,000 convertible debenture financing for a total principal amount of $845,000.

From 2013 to 2016, a company controlled by a director of the Corporation advanced $2,600,000 to the Corporation of which $50,000 has been repaid. The advance is recorded in trade and other payables; which is due on demand and there are no interest charges associated with the advance.

The Corporation entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, including directors and management.

		2016		2015
Salaries and benefits	**$**	**132,613**	$	148,500
Share-based payments		**-**		-
Total	**$**	**132,613**	$	148,500

6. CAPITAL MANAGEMENT

The Corporation's capital includes cash and cash equivalents, debentures and equity, which includes issued common shares, contributed surplus and deficit. The Corporation's primary objectives with respect to its capital are:

- To safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders.
- To maintain flexibility in capital structure to ensure the ongoing ability to execute management's strategic plan.

The Corporation includes the following in the definition of capital:

		2016		2015
Debentures	**$**	**5,242,000**	$	5,770,151
Equity		**(4,950,607)**		(4,036,553)
Cash and cash equivalents		**(184,497)**		(129,912)
Total capital	**$**	**106,896**	$	1,603,686

Given that the Corporation has not reached the critical mass necessary to fund acquisitions and operations through cash flow, growth is contingent on additional acquisitions and organic growth. To meet these needs the Corporation may from time to time raise additional funds through borrowings or through the issuance of equity.

The Corporation has imposed capital requirements related to the October 31, 2013 debenture. Each unit issued consisted of one 12% secured subordinated debenture with a principal amount of $1,000 and 2,000 rights at a price of $0.001 per right. Each right is convertible, for no additional consideration, into one common share of the Corporation on June 2, 2016 if the Corporation has not commenced paying a quarterly dividend of at least $0.005 per common share on or prior to June 1, 2016. If the Corporation commences the paying of the dividend on or before June 1, 2016, the rights will be terminated and cancelled, whether or not the payment of the dividend ceases after the first dividend payment.

On June 14, 2016 the Corporation received the written consent from in excess of 66-2/3% of the holders of the debentures to make amendments. The amendments include the change of the Maturity Date from June 15, 2016 to December 15, 2016, the increase of the interest rate to 15% per annum, and the removal of the requirement to pay a premium on the redemption of the debentures.

7. DILUTED LOSS PER SHARE

The Corporation has not included the effects of 8,000,000 (2015 – 27,589,475) common shares issuable upon the conversion of the 10% convertible debentures as their effect would be anti-dilutive.

8. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current period. The changes do not affect prior year income.

9. SEASONALITY AND SEGMENTED OPERATIONS

Historically, the Corporation's operations have experienced certain seasonal patterns. Generally, net sales have been highest in the second or third quarter and lowest in the first quarter of each year due primarily to weather. Cemeteries generally do not allow memorials to be installed during winter months when the ground is frozen or in the case of a late spring, if the ground is too wet because they cannot be properly set under those conditions (see Note 3 - revenue recognition on annual statements).

The Corporation is comprised of one operating segment. With the acquisition of Remco in 2013, the Corporation expanded its operations in Western Canada and currently generates approximately 74% (2015 - 72%) of its revenue from this region.